

RECORD OF PROCEEDINGS

DATE OF HEARING : August 22, 2007 at 12.00 hrs

CASE No. : 29 of 2007

PETITIONERS : M/s. Tata Power Company Limited (“**TPC**”)

RESPONDENTS : None

MATTER : Petition filed by TPC seeking amendment to Regulation 25.2 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 to make the requirement of “prior approval” modified to post facto approval of the short-term power procurement processes that have being initiated by TPC-D, REL-D and BEST with electricity traders, during April, May and June 2007

CORAM : Chairman, Member-Technical, Member-Finance

TPC filed a Petition on July 9, 2007 seeking amendment to Regulation 25.2 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 to make the requirement of “prior approval” modified to post facto approval in the context of the short-term power procurement processes that have been initiated by TPC-D, REL-D and BEST with electricity traders, during April, May and June 2007. The Commission scheduled the hearing in the matter for August 22, 2007 in the presence of MSEDCL, SLDC and four consumer representatives authorized on a standing basis under the Electricity Act, 2003 (“**EA 2003**”). Notices were issued accordingly.

2. At the hearing held in the matter on August 22, 2007, Shri. J.D. Kulkarni, TPC, referred to the averments in their petition and submitted that based on the load forecast undertaken by TPC-D, about 171 MW of power was estimated as the maximum peak shortage during the months April, May and June 2007. A Power Management Group (“**PMG**”) was formed by TPC-D, REL-D and BEST for procurement of power from electricity traders from outside of Maharashtra to meet the estimated shortage. The purpose of the formation of the PMG was to conjointly plan the procurement of surplus power available outside Maharashtra, though power may be procured by each member of the PMG in a staggered manner, i.e., from June 2007 to September 2007 by TPC-D, so on and so forth. It was further submitted that procurement of power by TPC has not been in deviance from approved specifications as to quantum and cost. However, the said power procurement have been made from various electricity traders located outside Maharashtra, which are not previously approved sources as required under Regulation 25.2 of the MERC (Terms and Conditions of Tariff) Regulations, 2005. It was further submitted that the said incidences of power procurement have been for infirm power for which prior approval cannot be easily obtained.

3. Shri. J.D. Kulkarni submitted that as per the Order dated April 30, 2007 in Case No. 70 of 2006 (in the matter of MYT Petition of TPC-D for the Control Period from FY 2007-08 to FY 2009-10), the sanctioned quantum for procurement from sources within Maharashtra and outside of Maharashtra is 3180 MU and the corresponding sanctioned cost is Rs.1298 crore. TPC has divided its MYT power procurement plan quarter-wise for each FY. In terms of the said order, the power procurement plan for the first quarter of FY 2007-08 works out for the quantum of 795 MU for the cost of Rs. 324 crore. TPC has not exceeded the specifications while procuring power from the said electricity traders outside of Maharashtra. It was further submitted that the said procurement has been comparatively economical. While the average power procurement approved rate for TPC-D is Rs.5.50/- per unit, the said infirm power has been procured for approximately Rs. 4.50/- per unit. Shri. J.D. Kulkarni further submitted that TPC-D has entered into agreements for banking transactions in pursuance of the said power procurement of infirm power from electricity traders outside Maharashtra.

4. The Commission invited the opinion of Shri. Ajit Pandit, one of the Regulatory Experts advising the Commission. Shri. Ajit Pandit submitted that written submissions of REL and BEST on the formation of the PMG should form part of the present proceedings. Shri. J.D. Kulkarni submitted that the power procurement initiatives of the PMG do not envisage inter-se sale of power. Shri. Ajit Pandit submitted that various issues connected with balancing of a centralized pooling system, capacity allocation, and other related issues need to be considered and clarified by TPC.

5. Shri. Kapil Sharma, REL, submitted that REL has filed a Petition on August 17, 2007 seeking reliefs similar in line to the reliefs sought under the present petition. It was submitted that so far as creation of a balanced centralized pooling mechanism is concerned, REL shall be liable to abide by directives that may be issued by the Commission with regard to the same.

6. The Commission observed that the members of the PMG should determine issues connected with commercial accountability of the procured power vis-à-vis extent of commitment of each member

7. Shri. Ajit Pandit submitted that the present petition seeks an amendment to the Regulation 25.2 of the MERC (Terms and Conditions of Tariff) Regulations, 2005. This necessitates the participation of consumer representatives, if amendment to Regulations is necessary. However, upon query from the Commission, Shri J.D. Kulkarni clarified that in case inter-State traders as licensed by CERC are recognized as 'approved source of power' for the purposes of Regulations 25.2, there may not be any need for amendment of Tariff Regulations. He further added that Mumbai licensees have been procuring infirm power on infirm basis since firm power is not available for longer duration. In addition, as majority of short term purchase are made on day-ahead basis and are infirm in nature, hence the price and quantum cannot be estimated accurately in advance, for the purpose of prior approval.

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List of Persons present at the hearing on August 22, 2007

1. Shri. V.H. Wagle, Sr. Mgr, TPC.
2. Shri. J.D. Kulkarni, Dy GM, TPC.
3. Shri. S.R. Mehendale, AM, TPC.
4. Shri. P.V. Anvekar, Sr. EE, TPC.
5. Shri. V.R. Shrikande, AGM, TPC.
6. Shri. C.A. Narayanan, AGM, TPC.
7. Shri. Kapil Sharma, Head-Regulatory, REL.
8. Shri. G. Srinivasa Rao, Addl. Mgr, REL